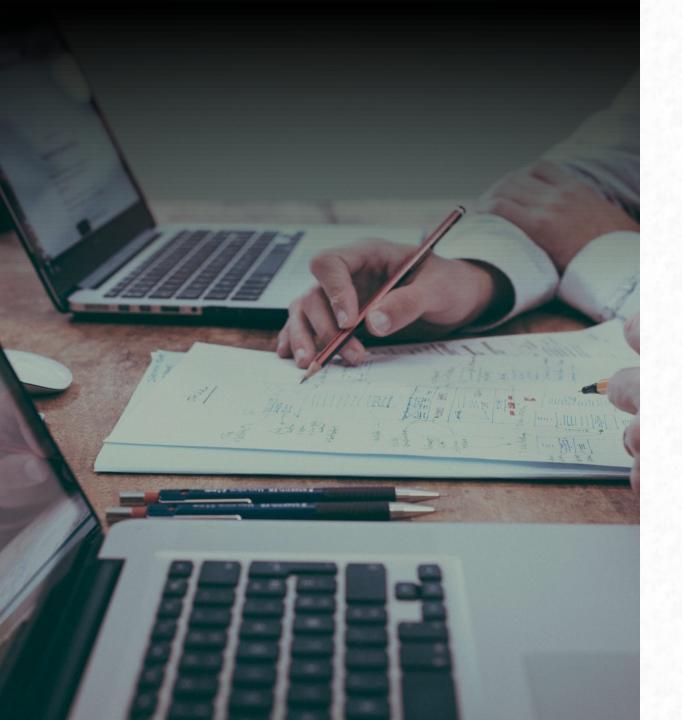


## Malta Budget 2023

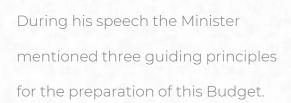






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24 October 2022

## Introduction

In the Budget for 2023 which was presented by the Minister of Finance and Employment Clyde Caruana on 24 October 2022, the Government has renewed its social and economic emphasis in light of the recent challenges brought about by the increasing inflation, in particular the increasing energy costs in the EU. This publication highlights the fiscal, social and economic measures presented to Parliament by the Minister in his Budget speech.



## Macroeconomic Indicators



### Gross Domestic Product

The real GDP in 2022 is

expected to increase by 6.0%

In 2023 this is expected to

increase by 3.5%



#### Inflation

is expected to reach 5.7% in 2022, with an expected downturn in 2023 of 3.7%.

The national rate of inflation



#### **Economic Activity**

The Maltese economy

continued its recovery

following the COVID-19

pandemic, resulting in ar

increase of 10.3%.



## Macroeconomic Indicators



Deficit on Gross Domestic

Product

The deficit on GDP in 2022 is expected to decrease to 5.8% (in line with last year's estimate of 5.6%). In 2023 this is expected to decrease to 5.5%, with a further downward trend of 3.0% expected by 2025.

This is estimated to stand at 57.0% in 2022, and is forecast

to remain lower than 60.0% in 2023.

Debt to Gross Domestic Product Ratio





Malta is expected to register an increase in employment of 4.0% and 3.4% in 2022 and 2023 respectively.

The unemployment rate in 2022 is expected to be 3.1%, with the same rate expected for 2023.







#### Reduction in the income tax rate from royalties

The tax rate on royalties earned by authors and coauthors will be reduced from 15% to 7.5%.

#### **Employees tax refund**

All eligible full-time and part-time employees will benefit again from a tax refund ranging between €60 to €140 depending on the income and applicable tax rates.

#### Tax credits for sports, artistic and cultural activities

The tax credit for parents sending their children to approved Sports, Artistic and Cultural activities will increase from €100 per annum to €300 per annum.

#### Exemption on pension income

Exempt pension income will increase to €14,968.

Pensioners opting for married rates will continue to benefit from an additional tax exemption of €3,600 per annum on income derived from other sources.

#### Tax-free pension income

As from this year (2022), 20% of the pension income will be exempt from tax while from 2023, 40% of the pension income will be exempt.





#### Intra-group transfers of capital allowances

Groups having qualifying companies which incurred losses due to the impact of COVID-19 are eligible to surrender unabsorbed capital allowances of basis year 2020 and basis year 2021 to profitable group companies against any taxable income for basis year 2022.

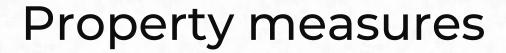
#### Reduced rate of duty

Extension of the reduced stamp duty rate of 1.5% on qualifying intra-family transfers of business property and securities by parents to their children and younger generation.

#### Tax credits

- Enterprises in Gozo and Start-ups will continue to benefit from an additional tax credit of 10%. The benefit doubles to 20% when investing in projects that reduce their carbon footprint.
- Enterprises investing in digital projects that decrease their energy and water consumption or waste, will benefit from a maximum tax credit of €40,000.
- The Micro Invest Scheme is to also be extended to Social Enterprises.







#### First time buyers

First-time buyers of a property with a value of less than €500,000 will receive a grant of €10,000 over a 10-year period. Such benefit will apply for acquisitions made from 1 January 2022.

#### **Deposit Payment Scheme**

The property value under the scheme will be increased by €50,000, to a maximum of €225,000.

#### Extension of existing property measures

- Reduced stamp duty rate for first time buyers;
- Reduced stamp duty rate for second time buyers;
- Acquisition of properties in Gozo;
- Extension to the fiscal benefits for the next 2 years applicable to properties that: (i) Have been built more than 20 years from the date of transfer and have been vacant for the past 7 years; or (ii) Located in an Urban Conversation Area ('UCA'); or (iii) Recently built properties having typical and traditional Maltese architectural style and features.







#### Cost of Living Adjustment ('COLA')

The COLA for 2023 amounts to €9.90 per week, applicable to all workers, pensioners and social benefits beneficiaries. Pro-rata increases will be given to students in their stipend.

Persons and families in receipt of social benefits and earning less than €17,796 will receive further compensation by the end of the year (2022).

#### Service pensions

Similar to previous years, the portion of any service pension which is not to be reduced from the social security pension is to be increased by a further €200.

#### Pension increase and COLA adjustment

Contributory and non-contributory pensions will receive an increase of €2.60 per week (over and above the COLA). Additionally, pensioners who retired after 2008 will benefit from a maximum increase of €1.50 per week to their pension.





#### **Annual bonus**

An increase of €50 per annum to the annual bonus will be granted to persons who have reached their retirement age but do not qualify for a retirement pension due to lack of contributions.

In 2023, the bonus to be paid to persons who have paid less than 5 years of contributions will increase to €450 per annum, while the bonus to persons who have paid less than 10 years of contributions will increase to €550 per annum.

#### Benefits to recipients of widowers pensions

Workers receiving a widowers' pensions will be eligible to receive social security benefits, including benefits of unemployment, sickness, or disability due to injury.

#### Increase in widower's pensions

Pensioners receiving the widowers' pensions shall receive an increase of €3.54 in their weekly pensions.





#### Measures for persons with a disability

- Parents of children with a disability will receive a yearly tax credit of €200 per disabled child.
- Persons purchasing a vehicle, Drive from Wheelchair, will benefit from a subsidy of up to 20% on the vehicle purchase price. Persons purchasing second-hand registered vehicles modified with lifts or ramps will benefit from a subsidy of up to 10% on the vehicle purchase price. To benefit from these subsidies, the mentioned vehicles must have emissions less than 180g of CO<sub>2</sub>.

#### Psychiatric care

Persons not working for any period between the age of 18 and 30 years and in receipt of regular psychiatric care are to be credited with two years' worth of social security contributions.

#### **Foster care and Carers**

- Parents who adopt their foster child will keep on receiving the Foster Care Allowance, reducing gradually on a four-year period or until the child reaches the age of 21 years.
- The carers grant will increase from €500 to more than €4,500 per annum, to be paid every 3 months.





#### Children's allowance

The children's allowance will increase by €90 per child.

#### Carer's allowance

- The threshold to qualify for social security credits for those qualifying for the allowance will be reduced to 15 annual credits. Those that still do not qualify under the new thresholds will be awarded up to 4 years of social security credits.
- Persons on the carer's allowance who are over 59 years will now be allowed to pay up to 5 years of SSC.

#### In-work benefit

In-work benefit of €150 for eligible workers working irregular hours and earning less than €20,000 a year will be extended to 2023.

#### Rent benefit

An increase in the capping of the rent benefit to €500 per month for one-bedroom residence, €600 per month for two-bedroom residence and €700 per month for three- bedroom residence.







#### Scholarships and Tax credits

Existing programmes for students that wish to continue advancing in their studies at Masters and Doctorate levels will be strengthened.

#### Extension of training schemes

Schemes relating to training and employment, such as the Youth Guarantee, Training for Employment and Investing in Skills are to be extended.

#### **Research and Innovation**

Investment of €5 million in a new programme,

Technology Extension Support, to be set-up with the private sector to help finance innovative projects in different sectors.





#### Investment support

- A new one-stop shop service for Start-ups is to be set-up under the brand Start in Malta, with the aim of assisting Start-ups on incorporation and schemes.
- Malta Enterprise is to develop a new Business
   Incubation Centre for innovative Start-ups.
- Set-up of the Digital Innovation Hub to assist the digital transformation of Start-ups and SMEs through Artificial Intelligence, Cyber High Performance
   Computing (HPC) and cloud solution.
- Establishment of a Venture Capital Fund.

#### Grants

- Cash grants of €40 million to be available for SMEs under the Business Enhance Scheme.
- Companies investing in digital and sustainable projects can apply for a cash grant of 50% of the eligible investment, up to a maximum of €100,000.
- Digitalisation incentives will continue under the Business Enhance Scheme.

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